

**PUBLIC DISCLOSURE**

MARCH 7, 2005

**COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**WASHINGTON SAVINGS BANK**

**30 MIDDLESEX STREET  
LOWELL, MA 01852**

**DIVISION OF BANKS  
ONE SOUTH STATION  
BOSTON, MA 02110**

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| <p><b>NOTE:</b> This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p> |
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## GENERAL INFORMATION

The Community Reinvestment Act ("CRA") requires the Massachusetts Division of Banks ("Division") to use its authority when examining financial institutions subject to its supervision to assess the institution's record of meeting its needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of **Washington Savings Bank (or the Bank)** prepared by the Division, the institution's supervisory agency.

### **INSTITUTION'S CRA RATING: This institution is rated "High Satisfactory"**

The rating of this institution is based upon five performance criteria as detailed in the public evaluation. Additionally, at the request of the institution, this evaluation included a review of the Bank's investments and services.

The analysis of the Bank's net loan-to-deposit ratio was reviewed over the past eight quarters and stood at 46.7 percent as of December 31, 2004. This ratio has averaged 47.2 percent over the previous eight quarters. A comparison of the dollar amount for the Bank's loans and deposits from March 31, 2003 through December 31, 2004 indicated that both loans and deposits have decreased slightly. Based on the above, the Bank does not meet the standards for satisfactory performance in this area.

A review of Washington Savings Bank's mortgage lending activity was conducted utilizing the 2003 and 2004 Home Mortgage Disclosure Act ("HMDA") data. During this period, the Bank originated 256 HMDA reportable loans totaling approximately \$32,840,000. Of these loans, 214 or 83.6 percent were originated inside the Bank's assessment area totaling \$26,407,000 or 80.4 percent. The Bank's performance under this criterion is considered to exceed the standards for satisfactory performance.

An analysis of HMDA reportable originations by income of borrowers was conducted utilizing the HMDA/Loan Application Register ("LAR") data for 2003 and 2004. Washington Savings Bank extended 37 HMDA reportable loans to low-income borrowers representing 17.3 percent of total originations within the assessment area. In addition, the Bank extended 63 loans to moderate-income borrowers, representing 29.4 percent of the HMDA reportable originations inside the assessment area. During 2003, the most recent data available, Washington Savings Bank ranked 34<sup>th</sup> out of 417 lenders in lending to low and moderate-income borrowers throughout the assessment area. Washington Savings Bank's performance is considered to exceed the standards for satisfactory performance in this area.

An analysis of HMDA reportable loan originations throughout the assessment area by census tract was also conducted. During 2003 and 2004, the Bank extended 12 loans within low-income census tracts representing 5.6 percent of total loans within the assessment area. These loans represent 4.0 percent by dollar amount of the total loans originated within the assessment area during this period. These percentages are

## **GENERAL INFORMATION (CONTINUED)**

slightly higher than the owner-occupied properties in the designated census tract. In addition, the number of loans granted in moderate-income census tracts is also higher than owner-occupied properties in the entire assessment area. Washington Savings Bank's performance for this criterion is considered to meet the standards for satisfactory performance.

At management's request, the Division considered investments and services in the overall rating. The Bank's activities in these areas enhanced credit availability within its assessment area and contributed to the overall rating of high satisfactory.

Finally, there were no complaints received by the Bank pertaining to its CRA performance and the fair lending examination revealed no evidence of discriminatory or illegal credit practices.

## **PERFORMANCE CONTEXT**

### **Description of Institution**

Washington Savings Bank is headquartered at 30 Middlesex Street in Lowell, Massachusetts and is a full-service mutual savings bank serving the Greater Lowell community. The Bank's main office in Lowell is located in a low-income census tract. In addition to the main office, the Bank operates two additional branches located in Dracut and Tyngsboro, Massachusetts. Both of these offices are located in middle-income census tracts. As of December 31, 2004, assets totaled \$152,464,000 of which 37.0 percent are in the form of net loans.

Refer to the following table for additional information on the breakdown of loans.

**Loan Portfolio Composition**

| <b>Loan Type</b>                              | <b>Amount (000s)</b> | <b>Percent</b> |
|---|----------------------|----------------|
| One to Four-Family Residential Mortgages      | \$ 47,307            | 82.6%          |
| Secured by Multifamily Residential Properties | \$ 3,411             | 6.0%           |
| Equity Lines of Credit                        | \$ 3,323             | 5.8%           |
| Construction and Land Development             | \$ 1,209             | 2.1%           |
| Secured by Nonfarm Nonresidential Properties  | \$ 1,050             | 1.8%           |
| Consumer Loans                                | \$ 951               | 1.7%           |
| <b>Total Gross Loans</b>                      | <b>\$ 57,251</b>     | <b>100.0%</b>  |

Source: December 31, 2004 Consolidated Report of Condition.

Washington Savings Bank is primarily a residential lender with 82.6 percent of its loans consisting of 1-4 family residential mortgages, followed by multifamily residential properties with 6.0 percent, and equity lines of credit with 5.8 percent.

Washington Savings Bank has strong competition from several financial institutions within its assessment area. These financial institutions include but are not limited to the following: Lowell Five Cents Savings Bank, Enterprise Bank, and Lowell Co-operative Bank, as well as representatives of regional and national banking and mortgage companies. The market influence from these institutions appears to be significant, and as a result, serves to keep the Bank's rates and services offered competitive.

Market share information obtained from PCI Services, Inc. CRA WIZ, based on 2003 aggregate performance data indicates that 417 mortgage companies, savings banks, commercial banks, cooperative banks, and credit unions have either originated or purchased residential mortgage loans within the Bank's assessment area.

There are no significant financial or legal impediments which limit the Bank's ability to help meet the credit needs of the assessment area. The Bank's most recent CRA evaluation, performed by the Federal Deposit Insurance Corporation ("FDIC") as of December 16, 2002 assigned the institution a rating of "Satisfactory". The previous evaluation performed by the Division as of May 3, 1999 assigned Washington Savings Bank a rating of "High Satisfactory".

## **PERFORMANCE CONTEXT (CONTINUED)**

### **Description of Assessment Area**

CRA requires financial institutions to define an assessment area within which its performance will be evaluated. The Office of Management and Budget establishes Metropolitan Statistical Areas ("MSA"s) for statistical reporting purposes by federal and state agencies.

Washington Savings Bank's assessment area consists of the cities and towns of Lowell, Dracut, Tyngsboro, Tewksbury, Chelmsford, Westford, and Dunstable, Massachusetts as well as the Town of Pelham, NH.

The demographic data for this evaluation consists of 2000 U.S. Census information. According to the 2000 census data, the population of the Bank's current assessment area was 242,016, of which 19.6 percent are minorities. For analysis purposes by census tract level, the 2003 and 2004 data changed due to a change from MSAs to MA Metropolitan Divisions ("MD"). The assessment area consisted of 54 census tracts for both years, but the composition changed slightly from 2003 to 2004. During 2003, 8 or 14.8 percent were low-income, 14 or 26.0 percent were moderate-income and middle and upper-income both consisted of 16 in number, or 29.6 percent. During 2004, 10 or 18.4 percent were considered low-income, 14 or 26.0 percent were considered moderate-income, 23 or 42.6 percent were considered middle-income, and 7 or 13.0 percent were considered upper-income.

Refer to the following table regarding housing characteristics according to 2000 Census Data.

| <b>Geographic<br/>Income<br/>Category</b> | <b><i>Selected Housing Characteristics by Income Category of the<br/>Geography</i></b> |  |                               |                                 |                                   |                                |
|---|--|--|-------------------------------|---------------------------------|-----------------------------------|--------------------------------|
|   | <b><i>Census<br/>Tracts<br/>(2003)</i></b>   | <b><i>Census<br/>Tracts<br/>(2004)</i></b> | <b><i>House<br/>holds</i></b> | <b><i>Housing<br/>Units</i></b> | <b><i>Owner-<br/>Occupied</i></b> | <b><i>Rental<br/>Units</i></b> |
| <b><i>Low</i></b>                         | 14.8%  | 18.4%                                      | 24.5%                         | 12.8%                           | 3.9%                              | 30.0%                          |
| <b><i>Moderate</i></b>                    | 26.0%  | 26.0%                                      | 17.0%                         | 28.0%                           | 21.1%                             | 41.0%                          |
| <b><i>Middle</i></b>                      | 29.6%  | 42.6%                                      | 20.2%                         | 47.9%                           | 58.9%                             | 26.9%                          |
| <b><i>Upper</i></b>                       | 29.6%  | 13.0%                                      | 38.3%                         | 11.3%                           | 16.1%                             | 2.1%                           |
| <b><i>Total</i></b>                       | 100.0%   | 100.0%                                     | 100.0%                        | 100.0%                          | 100.0%                            | 100.0%                         |

Source: 2000 U.S. Census

The median family income for the Lowell MSA for 2003 was \$79,700. During 2004, the designation changed and the Bank's activity was compared to the median family incomes for Cambridge-Newton-Framingham, MA MD as well as the Manchester-Nashua, NH MSA which consists of the Town of Pelham, NH. These income figures were \$88,600 and \$72,800, respectively. The income figures are based on estimated Department of Housing and Urban Development ("HUD") information. Low-income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA. Moderate-income is defined as income between 50 percent and 79 percent of the median family income level for the MSA. Middle-income is

## **PERFORMANCE CONTEXT (CONTINUED)**

defined as income between 80 percent and 119 percent of the median income. Upper-income is defined as income equal to or greater than 120 percent of the median income.

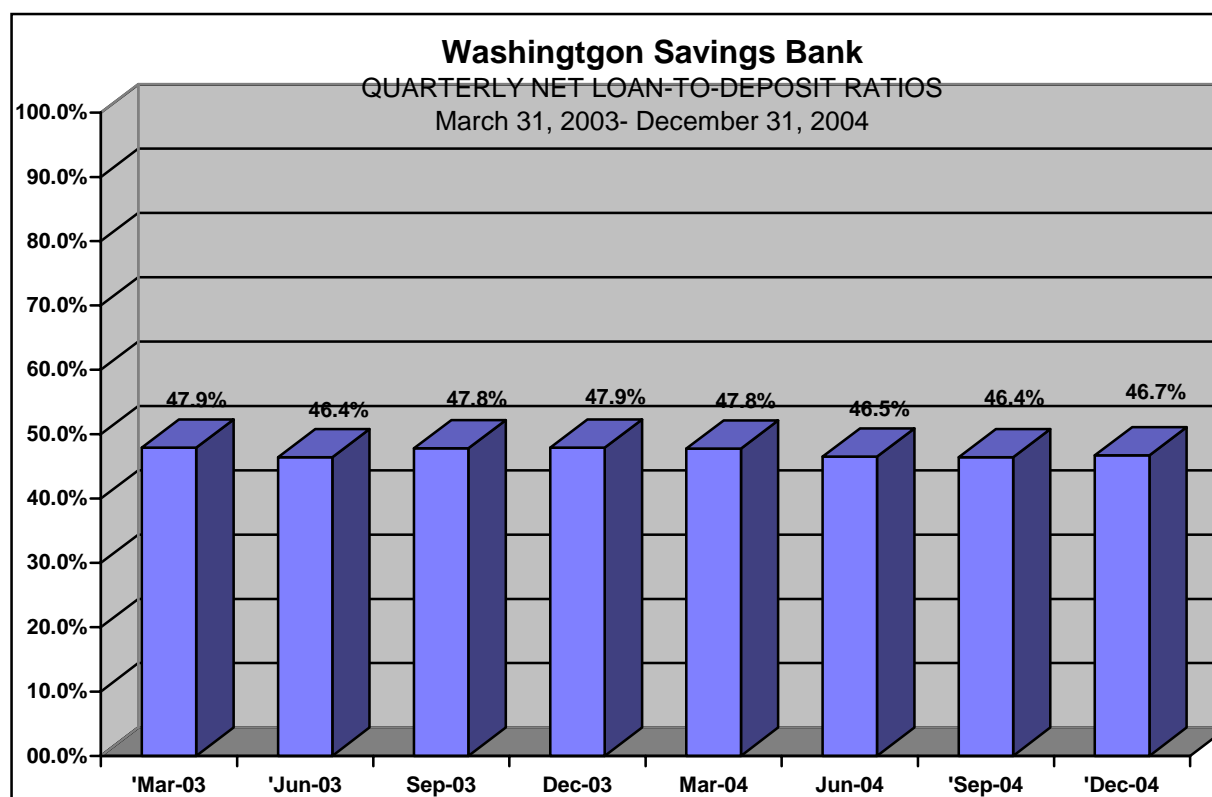
### **City of Lowell:**

The City of Lowell has all of the assessment area's low and moderate-income census tracts. Opportunities to originate a large number of loans in the City of Lowell are limited due to competition and the low percentage of owner-occupied units throughout the city. The City of Lowell continues to have one of the State's highest unemployment rates. As of June 30, 2003, the unemployment rate in Lowell was 9.4 percent; as of June 30, 2004, this rate was 7.9 percent. Although the unemployment rates in the City of Lowell have been decreasing, it continues to be much higher than the state's overall rate of 4.5 percent as of June 30, 2004.

## **PERFORMANCE CRITERIA**

### **1. LOAN TO DEPOSIT ANALYSIS**

A comparative analysis of Washington Savings Bank's quarterly net loan-to-deposit ratios for the period of March 31, 2003 through December 31, 2004, was conducted during this examination. Using the Bank's quarterly Call Reports, the average net loan-to-deposit ratio for this period is 47.2 percent. This ratio is based on total loans net of unearned income and net of the allowance for loan and lease losses (ALLL) as a percentage of total deposits. The following graph is provided for further analysis.



The net loan to deposit ratio stood at 46.7 percent as of December 31, 2004. A comparison of the dollar amount for the Bank's loans and deposits as of March 31, 2003 was compared to that of December 31, 2004. This comparison revealed that deposits have decreased slightly, while net loans for the same period have also decreased.

Although the net loan-to-deposit ratios appear to be low, there are mitigating factors that have affected the decline in ratios. Washington Savings Bank has significantly shifted its lending focus over the past six years. The Bank discontinued indirect lending in 1999, which was a large portion of its loan portfolio. All the loans that were maintained on the Bank's portfolio have since been paid off, resulting in a decrease of the Bank's loan portfolio. Also during 2002, management decided to temporarily restrain from originating commercial and construction lending activities and refocus its efforts primarily on residential lending. Given the fact that a significant portion of housing in the assessment area represents investment and multi-unit properties, the decision to temporarily terminate this type of lending had a direct impact on the net loan-to-deposit

## **PERFORMANCE CRITERIA (CONTINUED)**

ratios. The Bank recently began to offer these products again and this may assist in the increase of the net loan-to-deposit ratios.

Based on the above information and Washington Savings Bank's capacity to lend, the strong competition from other institutions in the assessment area, demographic and economic factors present in the assessment area, and the lending opportunities available in the assessment area, the bank's net loan to deposit ratio does not meet the standards for satisfactory performance.

### **2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA(S)**

Washington Savings Bank's 2003 and 2004 HMDA/LARs were reviewed to determine the amount of credit extended within the Bank's assessment area. During this period, the Bank originated 256 HMDA reportable loans totaling approximately \$32,840,000. Of these loans, 214 or 83.6 percent were originated inside the Bank's assessment area. The dollar amount of these loans totaled \$26,407,000 or 80.4 percent of all mortgage loans.

Refer to the following tables for additional information regarding the Bank's HMDA reportable lending, by both number and dollar volume.

| <b>Distribution of Home Mortgage Loans Inside and Outside of the Assessment Area</b> |                        |          |                               |          |                        |          |                                |          |
|--|------------------------|----------|-------------------------------|----------|------------------------|----------|--------------------------------|----------|
| <b>Year</b>  | <b>Inside</b>          |          |                               |          | <b>Outside</b>         |          |                                |          |
|  | <b>Number of Loans</b> |          | <b>Dollar in Loans (000s)</b> |          | <b>Number of Loans</b> |          | <b>Dollars in Loans (000s)</b> |          |
|  | <b>#</b>               | <b>%</b> | <b>\$</b>                     | <b>%</b> | <b>#</b>               | <b>%</b> | <b>\$</b>                      | <b>%</b> |
| <b>2003</b>  | 160                    | 84.2%    | 18,753                        | 81.3%    | 30                     | 15.8%    | 4,319                          | 18.7%    |
| <b>2004</b>  | 54                     | 81.8%    | 7,654                         | 78.4%    | 12                     | 18.2%    | 2,114                          | 21.6%    |
| <b>Total</b>   | 214                    | 83.6%    | 26,407                        | 80.4%    | 42                     | 16.4%    | 6,433                          | 19.6%    |

Source: 2003/2004 HMDA DATA

As indicated in the table above, a majority of the Bank's loans originated during the examination period were inside the assessment area. However, the Bank's HMDA loan originations have decreased by 65.3 percent from 2003 to 2004. An additional analysis from CRA WIZ indicates that Washington Savings Bank ranked as the 46<sup>th</sup> lender during 2003 within the assessment area. Overall, there were 417 lenders that originated HMDA reportable loans during 2003 throughout the assessment area. The top three lenders within the assessment area for 2003 were Countrywide Home Loans, Washington Mutual Bank, FA, and GMAC Mortgage Corporation.

Based on the above information as well as the extensive competition throughout the assessment area, Washington Savings Bank is considered to exceed the standards for satisfactory performance for credit extended inside and outside of the assessment area.



## **PERFORMANCE CRITERIA (CONTINUED)**

### **DISTRIBUTION OF CREDIT AMONG BORROWERS OF DIFFERENT INCOME LEVELS**

The Bank's HMDA reportable loans were further analyzed to determine the distribution of lending by borrower income level. The borrowers' reported incomes for 2003 were compared to the median family incomes for the Lowell, MA MSA. During 2004, the designation changed and the Bank's activity was compared to the median family incomes for Cambridge-Newton-Framingham, MA MD as well as the Manchester-Nashua, NH MSA which consists of the Town of Pelham, NH. The income figures are based on estimated HUD information.

The following table shows, by number, HMDA reportable loans to low, moderate, middle and upper-income borrowers in comparison to the percentage of total households within the assessment area in each respective income group.

#### **Distribution of HMDA Reportable Loans Within the Assessment Area to Borrowers of Different Income Levels by Number**

| <b>Borrower<br/>Income Level</b> | <b>Total Households</b> |               | <b>2003</b> |               | <b>2004</b> |               | <b>Total</b> |               |
|----------------------------------|-------------------------|---------------|-------------|---------------|-------------|---------------|--------------|---------------|
|                                  | <b>#</b>                | <b>%</b>      | <b>#</b>    | <b>%</b>      | <b>#</b>    | <b>%</b>      | <b>#</b>     | <b>%</b>      |
| < 50%                            | 21,118                  | 24.5%         | 28          | 17.5%         | 9           | 16.7%         | 37           | 17.3%         |
| 50 – 79%                         | 14,675                  | 17.0%         | 45          | 28.1%         | 18          | 33.3%         | 63           | 29.4%         |
| 80 – 119%                        | 17,489                  | 20.2%         | 53          | 33.1%         | 15          | 27.8%         | 68           | 31.8%         |
| > = 120%                         | 33,068                  | 38.3%         | 34          | 21.3%         | 10          | 18.5%         | 44           | 20.6%         |
| N/A                              | 0                       | 0.0%          | 0           | 0.0%          | 2           | 3.7%          | 2            | 0.9%          |
| <b>Total</b>                     | <b>86,350</b>           | <b>100.0%</b> | <b>160</b>  | <b>100.0%</b> | <b>54</b>   | <b>100.0%</b> | <b>214</b>   | <b>100.0%</b> |

Source: HMDA/LAR Data for the period 1/1/03 to 12/31/04

During 2003 and 2004, Washington Savings Bank extended 37 HMDA reportable loans to low-income borrowers representing 17.3 percent of total originations within the assessment area. Although this number is slightly below that of total low-income households throughout the assessment area, there are mitigating factors including the high cost of homes and the difficulty of low-income borrowers to purchase homes.

In addition, the Bank extended 63 loans to moderate-income borrowers, representing 29.4 percent of the HMDA reportable originations inside the assessment area. The number of loans to moderate-income borrowers is above the 17.0 percent of moderate-income households within the assessment area.

The distribution of the Bank's loans among various borrower income levels was also compared to that of all other HMDA reporters in the assessment area. Other HMDA reporters include bank and non-bank entities such as large national banking companies, other local banks, credit unions, and mortgage companies. The most recent year for this comparison is 2003.

## **PERFORMANCE CRITERIA (CONTINUED)**

The following table shows the Bank's distribution of loans among various income levels compared to that of the other 417 HMDA reporting lenders throughout the Bank's assessment area in 2003.

| <b>Distribution of HMDA Reportable Loans – Assessment Area<br/>Washington Savings Bank Compared to All Other Reporters</b> |                                    |               |                                |               |                                    |               |                                |               |
|--|------------------------------------|---------------|--------------------------------|---------------|------------------------------------|---------------|--------------------------------|---------------|
| <b>Median<br/>Family<br/>Income<br/>Level</b>  | <b>Number of Loans</b>             |               |                                |               | <b>Dollar Amount of Loans</b>      |               |                                |               |
|  | <b>Washington<br/>Savings Bank</b> |               | <b>All Other<br/>Reporters</b> |               | <b>Washington<br/>Savings Bank</b> |               | <b>All Other<br/>Reporters</b> |               |
|  | <b>#</b>                           | <b>%</b>      | <b>#</b>                       | <b>%</b>      | <b>\$(000)</b>                     | <b>%</b>      | <b>\$(000)</b>                 | <b>%</b>      |
| <b>Low</b>   | 28                                 | 17.5%         | 2,647                          | 7.7%          | 2,210                              | 11.8%         | 307,925                        | 4.8%          |
| <b>Moderate</b>  | 45                                 | 28.1%         | 7,376                          | 21.4%         | 4,740                              | 25.3%         | 1,148,609                      | 18.0%         |
| <b>Middle</b>  | 53                                 | 33.1%         | 9,671                          | 28.0%         | 6,800                              | 36.2%         | 1,786,389                      | 28.1%         |
| <b>Upper</b>   | 34                                 | 21.3%         | 9,290                          | 27.0%         | 5,003                              | 26.7%         | 2,053,643                      | 32.2%         |
| <b>NA</b>  | 0                                  | 0.0%          | 5,493                          | 15.9%         | 0                                  | 0.0%          | 1,072,847                      | 16.9%         |
| <b>Total</b>   | <b>160</b>                         | <b>100.0%</b> | <b>34,477</b>                  | <b>100.0%</b> | <b>18,753</b>                      | <b>100.0%</b> | <b>6,369,413</b>               | <b>100.0%</b> |

Source: HMDA\LAR 2003 HMDA Aggregate Data

As shown above, the Bank's percentage of lending to borrowers of low-income is above the aggregate by number and dollar amount for 2003. Both number and dollar volume are also above the aggregate's lending to moderate-income borrowers for 2003.

An analysis was also performed to determine how the Bank's originations compare to the other 417 lenders within the assessment area. During 2003, the most recent data available, Washington Savings Bank ranked 34th in lending to low and moderate-income borrowers throughout the assessment area. This ranking is considered good given the size, financial capacity, and resources of the Bank as well as the strong competition within the assessment area. The top three lenders to low and moderate-income borrowers within the Bank's assessment area for 2003 were Countrywide Home Loans, GMAC Mortgage Corporation, and Jeanne D'Arc Credit Union.

Based on the information above, the Bank's lending to borrowers of different income levels, especially those of low and moderate-income, reflects an excellent performance. Therefore, Washington Savings Bank's performance is considered to exceed the standards for satisfactory performance in this criterion.

## **4. GEOGRAPHIC DISTRIBUTION**

The Bank's residential loans located within the assessment area were further analyzed to determine their distribution by census tract income level. The assessment area is comprised of six census tracts: two designated as low-income, three designated as moderate-income, and one located as middle-income.

The following table provides a breakdown, by number and dollar amount, of the Bank's residential loans within its assessment area according to the census tract income level.

## **PERFORMANCE CRITERIA (CONTINUED)**

The table also shows the loans in comparison to the number of owner-occupied housing units in each of the census tract income categories.

### **Distribution of HMDA Reportable Loans Within the Assessment Area by Census Tract Income Level by Number**

| Census Tract Income Level | Owner-Occupied Properties |               | 2003       |               | 2004      |               | Total      |               |
|---------------------------|---------------------------|---------------|------------|---------------|-----------|---------------|------------|---------------|
|                           | #                         | %             | #          | %             | #         | %             | #          | %             |
| Low                       | 3,487                     | 3.9%          | 7          | 4.4%          | 5         | 9.3%          | 12         | 5.6%          |
| Moderate                  | 18,679                    | 21.1%         | 49         | 30.6%         | 20        | 37.0%         | 69         | 32.2%         |
| Middle                    | 52,249                    | 58.9%         | 78         | 48.7%         | 27        | 50.0%         | 105        | 49.1%         |
| Upper                     | 14,313                    | 16.1%         | 26         | 16.3%         | 2         | 3.7%          | 28         | 13.1%         |
| <b>Total</b>              | <b>88,728</b>             | <b>100.0%</b> | <b>160</b> | <b>100.0%</b> | <b>54</b> | <b>100.0%</b> | <b>214</b> | <b>100.0%</b> |

Source: Internal LAR Data for the period 1/1/03 to 12/31/04

During 2003 and 2004, the Bank extended 12 loans within low-income census tracts representing 5.6 percent of the Bank's total loans within the assessment area; 4.0 percent by dollar amount of the total loans originated within the assessment area during this period. These percentages are slightly higher than the owner-occupied properties in the designated census tracts. In addition, the percentage of loans granted in moderate-income census tracts is also higher than owner-occupied properties in those tracts.

The geographic distribution of the Bank's loans by census tract category may also be compared to that of all other HMDA reporting lenders in the assessment area. The most recent data available for this analysis relates to calendar year 2003 and is presented in the following table.

### **Lending Within the Assessment Area by Census Tract Income Level Washington Savings Bank Compared to All Other HMDA Reporters**

| Census Tract Income Level | Number of Loans         |               |                     |               | Dollar Amount of Loans  |               |                     |               |
|---------------------------|-------------------------|---------------|---------------------|---------------|-------------------------|---------------|---------------------|---------------|
|                           | Washington Savings Bank |               | All Other Reporters |               | Washington Savings Bank |               | All Other Reporters |               |
|                           | #                       | %             | #                   | %             | \$(000)                 | %             | \$(000)             | %             |
| Low                       | 7                       | 4.4%          | 1,017               | 3.0%          | 646                     | 3.4%          | 156,092             | 2.4%          |
| Moderate                  | 49                      | 30.6%         | 6,377               | 18.5%         | 4,929                   | 26.3%         | 984,592             | 15.5%         |
| Middle                    | 78                      | 48.7%         | 13,249              | 38.4%         | 9,780                   | 52.2%         | 2,281,178           | 35.8%         |
| Upper                     | 26                      | 16.3%         | 13,834              | 40.1%         | 3,398                   | 18.1%         | 2,947,551           | 46.3%         |
| <b>Total</b>              | <b>54</b>               | <b>100.0%</b> | <b>34,477</b>       | <b>100.0%</b> | <b>18,753</b>           | <b>100.0%</b> | <b>6,369,413</b>    | <b>100.0%</b> |

Source: HMDA/LAR Data for the period 1/1/03 to 12/31/04.

In 2003, the Bank extended 7 loans in low-income census tracts representing 4.4 percent by number and 3.0 percent by dollar amount. This is considered reasonable when compared to the aggregate, which accounted for 3.0 percent by number and 2.4 percent by dollar volume of originations in low-income census tracts. In addition, the

## **PERFORMANCE CRITERIA (CONTINUED)**

Bank extended 49 loans in moderate-income census tracts representing 30.6 percent by number and 26.3 percent by dollar amount. The Bank's percentage of originations in moderate-income census tracts is above the aggregate, which originated 18.5 percent by number and 15.5 percent by dollar volume throughout the entire assessment area.

Based on the above information, Washington Savings Bank is considered to meet the standards for satisfactory performance for the geographic distribution of loans throughout the assessment area.

### **5. FAIR LENDING POLICES AND PRACTICES**

A review of the Bank's public comment file indicated that the Bank received no complaints pertaining to the institution's CRA performance since the previous examination. In addition, a review of the Bank's residential loan application files was conducted to evaluate fair lending policies and procedures. A review was conducted for compliance with fair lending regulations and no evidence of discrimination was detected.

Washington Savings Bank has a written Fair Lending Policy, which is incorporated into its Loan Policy. Included in this policy are the Bank's efforts to eliminate discrimination in all aspects of lending, as well as to provide guidance to Bank employees on how to comply with fair lending policies and procedures. The Bank provides extensive fair lending training to all employees at least annually.

Washington Savings Bank markets its services and products to its community primarily through print advertisements.

#### ***Minority Application Flow:***

The Bank's LARs for 2003 and 2004 were reviewed to determine if the application flow from the different racial groups within the Bank's assessment area was reflective of the area's demographics. Each year had to be broken out separately because the designation of races changed with the new 2004 HMDA regulations. Of the total 183 HMDA reportable applications received from within the Bank's assessment area for 2003, 170 or 94.8 percent were from white applicants and 13 or 7.1 percent were from minority applicants. Of the total applications received from minority applicants, 9 were originated, three were denied and one was closed for incompleteness.

Washington Savings Bank's minority application flow in 2003 was also compared to all other HMDA reporting lenders accepting applications from within the Bank's assessment area. The Bank falls below the aggregate in lending to minority individuals. Refer to the following table to observe how the Bank compared to that of the aggregate during 2003.

## **PERFORMANCE CRITERIA (CONTINUED)**

| Race                   | Aggregate Data<br>2003* |              | Bank 2003  |              |
|------------------------|-------------------------|--------------|------------|--------------|
|                        | #                       | %            | #          | %            |
| <i>Native American</i> | 164                     | 0.4          | 2          | 1.1          |
| <i>Asian</i>           | 2,459                   | 5.4          | 7          | 3.8          |
| <i>Black</i>           | 654                     | 1.4          | 2          | 1.1          |
| <i>Hispanic</i>        | 1,031                   | 2.3          | 0          | 0.0          |
| <i>Other</i>           | 914                     | 2.0          | 2          | 1.1          |
| <b>Total Minority</b>  | <b>5,222</b>            | <b>11.5</b>  | <b>13</b>  | <b>7.1</b>   |
| <i>White</i>           | 29,071                  | 63.9         | 170        | 92.9         |
| <i>Not Provided</i>    | 7,596                   | 16.7         | 0          | 0.0          |
| <i>Not Applicable</i>  | 3,593                   | 7.9          | 0          | 0.0          |
| <b>Total</b>           | <b>45,482</b>           | <b>100.0</b> | <b>183</b> | <b>100.0</b> |

2003 CRA WIZ Data

The 2004 LAR indicates that Washington Savings Bank had received 61 HMDA reportable applications. Of these applications, 58 or 95.2 percent were received from white applicants and three or 4.8 percent were from minority individuals. All three applications received from minority individuals resulted in originations.

## **INVESTMENTS AND SERVICES**

### ***Qualified Investments & Services:***

Upon management's request, the Bank's performance in the area of qualified investments and services was reviewed. A qualified investment is a lawful investment, deposit, membership share or grant that has community development as its primary purpose. Community development includes affordable housing for low and moderate-income individuals, community services targeted to low and moderate-income individuals, activities that promote economic development by financing small businesses or small farms, and activities that revitalize or stabilize low and moderate-income geographies. The evaluation of services includes the availability and effectiveness of an institution's systems for delivering retail banking services and the extent and innovativeness of its community development services.

The Bank's activities in these areas further support credit availability within its assessment area and contribute to the overall rating of High Satisfactory.

### ***Investments:***

During 2003, nine banks completed an agreement on the \$24.7 million Julian D. Steele Development Loan Pool, the single largest loan pool created for affordable housing in the City of Lowell. The pool is designed to assist the Lowell Housing Authority in their plans to restructure the Julian D. Steele Housing Project. Funds will be used to help finance the construction of 180 new housing units on the current Julian D. Steele site, including 90

## **INVESTMENTS AND SERVICES (CONTINUED)**

single-family homes and 45 duplexes. The pool will also help in the creation, through new construction or rehabilitation, of additional affordable housing units throughout the city. The Lowell Development and Financial Corporation spearheaded the creation of the pool and is also responsible for its administration. Washington Savings Bank's initial investment to this pool was \$1,565,000. The Bank's current book value as of the examination date was \$1,081,925.

Washington Savings Bank has also been involved with Lowell Development Financial Corporation (LDFC) – Downtown Venture Fund. The Downtown Venture Fund is a joint effort of various local banks, the LDFC, the City of Lowell, and the HUD to revitalize the downtown area in the City of Lowell. The fund operates a revolving loan fund. The loan payments, when received, will be placed back into the fund. The fund will operate for a minimum of ten years. Thereafter, the fund will operate until the participants wish to discontinue this effort. The borrowers' loan is interest free for the first year, then principal and interest payments amortized over 20 years with a balloon payment due after ten years. During the examination period, Washington Savings Bank has invested \$20,000 to this fund.

Additionally, the Bank's investments in 2003 and 2004 consisted of monetary contributions to local charitable groups and to business organizations. During this time period, the Bank granted approximately \$2,850 in qualified contributions.

Contributions were granted to several charitable organizations including: Merrimack Valley Housing Partnership, Consumer Credit Counseling Services, Habitat for Humanity, Coalition for a Better Acre, and the Lowell Adult Education Center.

### ***Services:***

Washington Savings Bank's main office is located in a low-income census tract in Lowell, Massachusetts, while the other two branches in Dracut and Tyngsboro are both located in middle-income census tracts. The Bank offers a special first time home buyer program and Basic Banking deposit accounts. During 2004, Washington Savings Bank originated three first time home buyer loans.

### ***Community Development Services:***

Washington Savings Bank is considered proactive within its assessment area. Officers and employees are involved with community organizations that address economic and affordable housing development. Through these involvements, the Bank's staff lends their technical expertise, experience and judgment to these organizations. Following are some examples:

**Lowell Development Financial Corporation** – The Bank's President & Chief Executive Officer (CEO) serves on the Board of this non-profit organization. During 2005, this individual will serve on the Executive Board of this organization.

## **INVESTMENTS AND SERVICES (CONTINUED)**

**Julian D. Steele Loan Pool** – The Bank's CRA Officer serves on the credit committee for this organization that is geared towards housing for low and moderate-income individuals within the City of Lowell.

**Merrimack Valley Food Bank** – The Vice President of Finance and Accounting serves on the finance committee of this organization.

**Salvation Army** – The Bank's CRA Officer is the Treasurer and Advisory Board Member of this organization's Lowell office.

The investments and services described above benefit the community and low- and moderate-income individuals and provide additional support to the overall rating of High Satisfactory.

# PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at 30 Middlesex Street in Lowell, Massachusetts.

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing.

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.